

The following note was issued to heads of participating USS institutions on Tuesday 1 March 2020

Colleagues,

The Trustee Board met yesterday (Monday) to consider the decision made by the Joint Negotiating Committee (JNC) last week.

As you will know, the JNC recommended a modification to the benefit [changes](#) it proposed in September 2021 whereby the application of the proposed 2.5% cap on future inflationary benefit increases is deferred up to and including the increase due on 1 April 2025. (This is explained in [a technical note](#) provided for UUK's recent associated consultation.) Its other proposed changes, due to come into effect from 1 April 2022, were left unchanged.

The Trustee Board has now confirmed there are no legal or operational impediments to implementing the JNC's modified recommendations and has executed the deed of amendment to introduce the changes.

The modification requires additional contributions of 0.3% of payroll. To address this, the Trustee has determined (subject to the outcome of a statutory consultation with UUK - detailed below) that employers pay an extra 0.2% for two years (1 April 2022 to 31 March 2024) and that the deficit Recovery Plan is extended by one month. That takes the overall required contribution rate, for that two-year period, to 31.4% of pay.

Employers would therefore pay the slightly higher rate of 21.6% until 31 March 2024, and 21.4% thereafter – unless and until any other arrangements are put in place. The members' rate will remain unchanged at 9.8%.

This requires changes and updates to the [Schedule of Contributions](#), [Recovery Plan](#) and [Statement of Funding Principles](#) filed at the end of September. I will therefore be writing to UUK shortly to launch a two-week statutory consultation on the revised documentation.

A comprehensive plan to engage with members, and your pensions and admin teams, on the JNC's proposed changes will be rolled out shortly. This will include the required statutory disclosures and webinars to explain the changes in more detail.

Investment strategy

As trailed in my last update, we are currently engaging with you on the key considerations for the investment strategy for the 2020 valuation. We have shared a recording of [one of our recent briefings](#) to this end.

Your views on this important issue are vital inputs to trustee decision making and we have been encouraged by the wide range of informed, considered comments provided to date. They will all feed into the forthcoming formal consultation on the Statement of Investment Principles in the spring and the Trustee Board's subsequent considerations.

Other issues

The Trustee is keen to work with stakeholders to ensure the scheme continues to develop in ways that deliver good outcomes for its members. To that end, we are encouraged by the ongoing work to develop a lower cost option for members (overseen by the JNC), and by the initiative of UUK on behalf of employers to explore conditional benefit structures (particularly those that might provide

better inflation protection). The Trustee also looks forward to working with stakeholders on ways in which the governance arrangements of the scheme might develop.

In passing, I would like to take this opportunity to correct some of the media coverage seen this week on a prospective High Court claim sought by two individuals. As set out [in a separate note](#), the issue currently at stake is a preliminary and technical legal one, as to whether the 'derivative claim' procedure (where company funds can be used to fund an action against directors) has any application in these circumstances.

The Judge initially dismissed the availability of this route to the claimants. At a court hearing yesterday (28 February), the claimants persuaded the Judge to change his mind. In line with the applicable court process, USS was not involved in that hearing. The preliminary and technical legal issue will now be considered at a further hearing in which USS will be involved.

Nothing about this process to date changes the view of the Trustee on the substance of the issues contested by the claimants, which are absolutely without merit. The statement USS issued in November 2021 when this prospective case first arose still holds and can be found [here](#).

In closing, I want to thank you for your continued engagement, in very challenging conditions, throughout the valuation process.

Bill Galvin, Group Chief Executive Officer